



J. TYLER McCauley
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 14, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Michael D. Antonovich

FROM: J. Tyler McCauley *tn*
Auditor-Controller

SUBJECT: **EL PROYECTO DEL BARRIO, INC. CONTRACT - WORKFORCE
INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of El Proyecto del Barrio, Inc. (El Proyecto or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with El Proyecto, a private, non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by El Proyecto include occupational skills training, job placement and career planning. El Proyecto's office is located in the Third District.

El Proyecto is compensated on a cost reimbursement basis. El Proyecto's contract was for \$161,964 for Fiscal Year (FY) 2005-06.

Purpose/Methodology

The purpose of the review was to determine whether El Proyecto complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

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Results of Review

All 20 program participants met the eligibility requirements for the WIA programs and the 13 participants interviewed confirmed that the services received met their expectations.

El Proyecto did not always comply with various County contract and WIA requirements. Specifically, El Proyecto:

- Did not complete Individual Employment Plans (IEP) for 3 (15%) of the 20 Adult and Dislocated Worker participants.
- Did not always perform bank reconciliations on a monthly basis.
- Did not perform a fair market assessment for the facility it currently leases. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.
- Did not maintain a fire inspection certificate or building permit. This was also noted in the prior year's monitoring report.
- Did not indicate on the employees' timecards the total hours worked each day by program to ensure payroll costs are charged to the correct program.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with El Proyecto on November 20, 2006. In their attached response, El Proyecto concurred with our findings and recommendations. We also notified DCSS of the results of our review and will follow-up our recommendations during next year's monitoring review.

We thank El Proyecto for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Corinne Sanchez, Esq., President and CEO, El Proyecto del Barrio, Inc.
East Los Angeles Employment and Business Center
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
EL PROYECTO DEL BARRIO, INC.
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether El Proyecto del Barrio, Inc. (El Proyecto or Agency) provided services to participants that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of 20 (38%) program participants (10 from the adult program and 10 from the dislocated worker program) from a total of 53 participants that received services between July 2005 and April 2006. We reviewed the 20 case files for documentation to confirm their eligibility for WIA services.

Results

All 20 program participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (38%) participants that received services during July 2005 through April 2006. We also interviewed a total of 13 participants.

Results

The 13 participants interviewed confirmed that the services received met their expectations. However, El Proyecto did not complete the Individual Employment Plans (IEP) for 3 (15%) of the 20 Adult and Dislocated Worker participants. The IEP is an on-

going plan jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals. Subsequent to our review, El Proyecto completed the IEPs for the three participants.

Recommendation

- 1. El Proyecto management ensure that staff complete the IEPs for the Adult and Dislocated Worker participants.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed El Proyecto's bank reconciliation for September 2005.

Results

El Proyecto maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, El Proyecto did not always perform bank reconciliations on a monthly basis as required. Specifically, as of April 2006, El Proyecto's most current bank reconciliation was for September 2005. The September 2005 bank reconciliation was prepared and reviewed on November 30, 2005.

Recommendation

- 2. El Proyecto management ensure that bank reconciliations are performed within 30 days of the bank statement date.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 39 (53%) of the 73 non-personnel expenditure transactions billed by the Agency for January 2006, totaling \$5,443.

Results

Generally, El Proyecto's expenditures were allowable and properly documented as required. However, El Proyecto billed DCSS for a non-WIA related expense, totaling \$363. El Proyecto also did not maintain documentation to support travel expenses charged to the WIA programs in September 2005, totaling \$70.

Recommendations

El Proyecto management:

- 3. Repay DCSS \$433.**
- 4. Ensure that expenses are accurately billed to the related program.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in areas such as expenditures, payroll and personnel.

Results

Generally, El Proyecto maintained sufficient internal controls over its business operations. However, EL Proyecto was not in compliance with County contract requirements. Specifically, El Proyecto did not:

- Perform a fair market assessment for the facility it currently leases. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.

- Mark the invoices and other supporting documentation as “paid.” This was also noted in the prior year’s monitoring report.
- Maintain a fire inspection certificate or building permit. This was also noted in the prior year’s monitoring report.

Recommendations**El Proyecto management:**

5. Ensure that a fair market assessment is performed on the leased property.
6. Ensure that invoices and other supporting documentation are marked “paid.”
7. Obtain a fire and building inspection.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency’s fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section, as El Proyecto did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for eight employees in January 2006, totaling \$7,066 to the payroll records and time reports. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA programs.

Results

The employees’ timecards did not indicate the hours worked each day by program as required by the County contract. El Proyecto also did not maintain copies of the employees’ valid driver’s licenses and/or proof of car insurance for all five employees.

In addition, El Proyecto did not conduct performance evaluations on an annual basis for three (60%) of the five employees assigned to administer the WIA programs. The last performance evaluations for the three employees were completed in November 2004.

Recommendations

El Proyecto management:

- 8. Ensure that employees' timecards indicate the total hours worked each day by program.**
- 9. Ensure that personnel files are kept current and that performance evaluations are completed on an annual basis.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's cost allocation plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed El Proyecto's cost allocation plan and reviewed a sample of expenditures incurred by the Agency during January 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated, employees' timecards did not indicate the hours worked each day by program. Therefore, we could not verify that the amounts allocated for payroll were appropriately allocated and recommended that El Proyecto require staff to report the total hours worked each day by program.

Recommendation

Refer to recommendation 8 in the prior section.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year (FY) 2004-05 monitoring review were implemented. The report was issued in March 2006.

Results

The prior year's monitoring report contained eight recommendations. El Proyecto implemented three of the eight recommendations. As indicated earlier, two of the eight outstanding findings were also noted during our monitoring review. The remaining three recommendations required the Agency to amend the monthly reimbursements to reflect the actual direct and indirect costs and repay DCSS if the actual costs were under the budgeted billed amounts. El Proyecto indicated that they are working with DCSS and will implement the three outstanding recommendations by June 30, 2007.

Recommendation

- 10.El Proyecto management immediately implement the outstanding recommendations.**

El Proyecto del Barrio

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ESPERANZA

January 9, 2007

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In Memoriam
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Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803
Attention: Yoon Bae

Re: El Proyecto del Barrio Contract – Workforce Investment Act
Program
Draft Report – Agency Response

Dear Mr. McCauley:

May this correspondence serve to provide the response by El Proyecto del Barrio to the Draft Report prepared by the Department of Auditor-Controller in follow-up to monitor review of the El Proyecto WorkSource Services PY 05-06.

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BILLED SERVICES/CLIENT VERIFICATION Recommendation

1. El Proyecto management ensure that staff complete the IEP for the Adult and Dislocated Worker participants.

El Proyecto management will conduct an additional review of file to ensure that IEP's are completed for each customer

CASH/REVENUE Recommendation 2, E

2. El Proyecto management ensure that bank reconciliations are performed within 30 days of the bank statement date.

El Proyecto finance division has implemented 30 day bank statement reconciliation.

3902 Woodman Avenue • Arleta, California 91331

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EXPENDITURES/PROCUREMENT

Recommendations

EI Proyecto management:

3. Repay DCSS \$433.

EI Proyecto del Barrio will submit by January 31, 2007 to CDSS a check for the \$433.00

4. Ensure that expenses are accurately billed to the related program.

EI Proyecto del Barrio has reviewed its internal controls to ensure that expenditures are billed to related program.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Recommendations

EI Proyecto management:

5. Ensure that a fair market assessment is performed on the leased property.

EI Proyecto management will conduct fair market assessment of the leased property

6. Ensure that invoices and other supporting documentation are marked "paid."

EI Proyecto is ensuring that all documentation is properly marked

7. Obtain a fire and building inspection.

EI Proyecto has contacted the local department and scheduled inspection in order to maintain fire inspection current.

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PAYROLL AND PERSONNEL

Recommendations

El Proyecto management:

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PAYROLL AND PERSONNEL cont.

8. **Ensure that employees' timecards indicate the total hours worked each day by program.**

El Proyecto will record on the back page of individual time card the distribution of hours by program.

9. **Ensure that personnel files are kept current and that performance evaluations are performed on an annual basis.**

El Proyecto management will conduct quarterly reviews of files for division employees to ensure that information is current and that annual evaluations are conducted

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COST ALLOCATION PLAN
Recommendation

Refer to recommendation 8 in the prior section.

PRIOR YEAR FOLLOW-UP
Recommendation

10. **El Proyecto management immediately implement the outstanding recommendations.**

El Proyecto del Barrio has initiated corrective action with respect to the recommendations.

Thank you for the opportunity to respond to this report and should you have further questions please feel free to contact me directly at 818 830-7133 or Ms. Magdalena Duran at 818 504-0334.

Regards


Corina Sanchez, President CEO

cc: John Pazirandeh, CFO
Mary Hernandez, Contract Compliance
Magdalena Duran, WSC Administrator